

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

All currency amounts in the MD&A are expressed in Australian dollars unless otherwise specified. The following discussion and analysis is based on the Lend Lease Corporation (the Group) Consolidated Financial Statements for the year ended 30 June 2009 and should be read in conjunction with those financial statements.

Overview

Introduction

The Group has five lines of business that operate in three geographic regions: Asia Pacific, Europe and the Americas.

- The Retail business comprises retail property management, asset management and development. This business also includes the Group's ownership interests in direct property investments, including those held via limited partnerships;
- The Communities business is involved in the development of large scale master-planned urban communities, inner city apartments and senior living;
- The Public Private Partnerships (PPP) business manages and invests equity in large PPP projects;
- Investment Management provides real estate investment management services. Investment Management includes the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds;
- Project Management and Construction provides construction, project management and design services through Bovis Lend Lease (Bovis).

Results Summary

	Revenue		EBITDA		Profit/(Loss) After Tax ^{1,2}	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Retail	125.8	130.7	86.0	79.4	60.3	66.1
Communities	586.4	969.5	70.0	124.0	88.3	100.3
Public Private Partnerships	1,507.0	962.7	66.7	46.0	74.4	59.0
Investment Management	69.1	127.3	35.3	151.2	28.9	137.3
Project Management and Construction	12,422.0	12,426.8	251.6	201.7	168.9	150.0
Total operating businesses	14,710.3	14,617.0	509.6	602.3	420.8	512.7
Group Services	23.4	7.6	(80.6)	(86.2)	(67.8)	(59.0)
Group Treasury	51.3	53.3	(17.2)	1.0	(41.4)	(14.8)
Group Amortisation					(4.1)	(3.0)
Total corporate	74.7	60.9	(97.8)	(85.2)	(113.3)	(76.8)
Total operating	14,785.0	14,677.9	411.8	517.1	307.5	435.9
Inventory carrying value adjustments			(226.1)	(121.5)	(188.3)	(121.5)
Goodwill impairments			(252.9)		(252.9)	
Other carrying value adjustments			(233.0)		(204.7)	
Property investment revaluations ³			(325.7)	(69.2)	(263.0)	(60.2)
Savings implementation costs			(120.8)		(83.9)	
Net gain on Bovis UK pension scheme curtailment			44.3		31.7	
Total statutory	14,785.0	14,677.9	(702.4)	326.4	(653.6)	254.2

1 Profit/(loss) after tax is after adjusting for the loss attributable to minority interests of A\$12.3 million (June 2008: A\$6.4 million loss after tax).

2 June 2008 operating profit after tax has been adjusted to A\$435.9 million (statutory profit has been adjusted to A\$254.2 million) to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year. The before and after tax effect of the adjustment for the year ended June 2008 is an A\$11.2 million loss. All ratios have been restated based on the revised results.

3 Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements.

The difficult economic environment experienced in the first half of the financial year continued to impact the Group in the six months ended 30 June 2009. As a result, the Group has seen a significant slowdown in all of its key markets and geographies. The market turbulence has also led to a large decline in property asset values. This resulted in a write-down in the carrying value of the Group's tangible and intangible assets of A\$656.0 million after tax and A\$252.9 million after tax respectively.

In response to slowing momentum, the Group has implemented a number of cost reduction initiatives which have resulted in one-off implementation costs of A\$83.9 million after tax. The Group recognised a net gain from the curtailment of the Bovis UK pension scheme of A\$31.7 million after tax.

As a result of the above non operating adjustments, the Group reports a statutory loss after tax of A\$653.6 million for the year ended 30 June 2009.

The Group continues to remain focused on key financial fundamentals such as strong cash management and maintaining liquidity as well as significant cost reductions to ensure its cost base aligns with market conditions.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Results Summary continued

The Group remains in a strong financial position with cash and cash equivalents at 30 June 2009 of A\$1,120.8 million (June 2008: A\$842.8 million), net debt (including other non current financial liabilities) of A\$195.8 million (June 2008: A\$287.3 million) and low gearing (net debt to total tangible assets, less cash) of 2.9% (June 2008: 4.1%).

During the year, the Group completed the acquisition of a 43.2% stake in Lend Lease Primelife Limited (LLP) (previously known as Babcock & Brown Communities Group) and the associated management rights, expanding the Group's interest in the fast growing retirement sector.

Statutory Profit/(Loss) After Tax

The Group has reported a statutory loss after tax for the year ended 30 June 2009 of A\$653.6 million after recognising the following non operating adjustments:

- A reduction in the carrying value of inventory of A\$188.3 million after tax principally relating to the Communities businesses in Australia, the United Kingdom (UK) and the United States (US) due to adverse trading conditions;
- The impairment of the carrying value of the goodwill in Crosby Lend Lease (Crosby) of A\$172.4 million after tax and the Australian Communities business of A\$80.5 million after tax due to a deterioration in residential markets;
- Other carrying value adjustments of A\$204.7 million after tax which includes a reduction in the carrying value of the Group's interests in both UK and Australian retail and communities projects, investment management funds in Australia and a loss of A\$33.9 million after tax on the Group's exposure to the FKP Property Group;
- Unrealised property investment revaluation losses on retail investments of A\$263.0 million after tax due to the expansion of capitalisation rates in all property markets, most significantly in the UK and US;
- In response to slowing market conditions, cost savings initiatives have been implemented which resulted in one-off implementation costs of A\$83.9 million after tax;
- The curtailment of the Bovis UK pension scheme has resulted in a net gain of A\$31.7 million after tax.

Operating Profit After Tax

Operating profit after tax for the year ended 30 June 2009 decreased by 29% to A\$307.5 million. Operating profit after tax was positively impacted by foreign exchange movements of A\$17.1 million.

The Retail business operating profit after tax, although lower than the prior year, has remained relatively robust primarily due to a comparably stable income flow from the Bluewater and King of Prussia Shopping Centres.

The Communities business operating profit after tax decreased due to a decline in residential sales and settlement volumes in both the UK and Australia due to weak trading conditions. The result for Asia Pacific Communities includes the sale of the Group's interest in seven retirement villages and an aged care facility to LLP.

The increase in operating profit after tax for the PPP business is mainly attributable to the UK PPP business, where operating profit after tax increased due to a negative prior year adjustment as a result of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year. No Actus Lend Lease (Actus) projects reached financial close during the year.

The contribution from Investment Management was lower as the prior year included a profit after tax of A\$40.1 million from the sale of a proportion of the Group's interest in Australian Prime Property Funds (APPF) and a tax exempt dividend of A\$47.9 million from the Group's interest in the advisor company to Lend Lease Global Properties, SICAF (Global Fund) in relation to incentive fees.

Project Management and Construction operating profit after tax increased, reflecting the strong performance of the Australian business and improved performance in the UK.

Group Services includes costs related to Lend Lease Ventures, which is focused on the commercialisation of green energy opportunities and associated property related activities, and increased costs related to the Group's captive insurance vehicle.

Group Treasury profit after tax decreased due to higher interest costs driven by the £350.0 million UK syndicated bank facility being fully drawn down for part of the year, lower interest rates on cash deposits and the hedge cost on current year profits.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Shareholder Returns

		June 2009	June 2008 ³
Earnings per share (EPS) on operating profit after tax ¹	cents	72.5	108.7
EPS on statutory profit/(loss) after tax ¹	cents	(154.1)	63.4
Return on equity (ROE) on statutory profit/(loss) after tax ²	%	(24.4)	8.2

- 1 EPS is calculated using the weighted average number of shares on issue including treasury shares. Under the Australian Accounting Standards, shares held in employee benefit vehicles, including employee share plans, which Lend Lease sponsors, are treated as treasury shares and are excluded from the calculation. This would have the effect of increasing the EPS calculations above if applied.
- 2 ROE is calculated based on statutory profit/(loss) after tax and average equity.
- 3 The ratios for the year ended June 2008 have been adjusted for the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time.

Dividends

A final 100% franked dividend of 16 cents per share will be paid on 25 September 2009 (June 2008: 34 cents per share 45% franked). This represents a payout ratio of 61% of operating profit after tax for the full year ended 30 June 2009.

Group Debt

		June 2009	June 2008
Net debt ¹	A\$m	195.8	287.3
Gross borrowings to total tangible assets ²	%	16.9	14.5
Net debt to total tangible assets, less cash ³	%	2.9	4.1
Interest coverage ⁴	times	5.2	7.7
Credit rating (Standard & Poor's/Moody's)	rating	BBB-/Baa3	BBB-/Baa3

- 1 Net debt is borrowings, including other non current financial liabilities, less cash.
- 2 Calculated as borrowings including other non current financial liabilities divided by total tangible assets.
- 3 Calculated as net debt divided by total tangible assets, less cash.
- 4 Calculated as operating EBITDA plus interest revenue divided by gross finance costs, including capitalised finance costs.

The Group's net debt at 30 June 2009 was A\$195.8 million, including other non current financial liabilities of A\$191.6 million. The Group's gearing remains low and interest coverage at 5.2 times is in line with the Group's internal target.

The Group is in a strong liquidity position with cash and cash equivalents of A\$1,120.8 million at 30 June 2009. In addition, the Group had un-drawn committed bank facilities of A\$612.0 million.

The average maturity of Lend Lease's drawn debt at 30 June 2009 was eight years, with the earliest maturity date being November 2010.

At 30 June 2009, the mix of borrowings, including other non current financial liabilities, was 76% at fixed rates and 24% at floating rates.

On 11 February 2009, Lend Lease issued 50 million new shares via an institutional placement which raised A\$302.5 million before costs associated with the placement.

The Group continues to maintain an investment-grade credit rating.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Cash Flow

	June 2009 A\$m	June 2008 A\$m
Net cash provided by operating activities	382.2	268.7
Net cash (used in)/provided by investing activities	(473.9)	364.5
Net cash provided by/(used in) financing activities	356.0	(312.4)
Effect of foreign exchange rate movements on cash and cash equivalents	13.7	(28.1)
Net increase in cash and cash equivalents	278.0	292.7

Operating cash inflows of A\$382.2 million represent the underlying cash flows from the Group's operating businesses net of continued investment in property developments. This is a significant increase in the current year as the prior year also included the receipt of the tax refund and associated interest from the resolution of the tax dispute with the Australian Taxation Office.

Investing cash outflows of A\$473.9 million includes the acquisition of the Group's further stake in LLP, the associated management rights and the related convertible notes.

Financing cash inflows of A\$356.0 million principally relates to the proceeds from the share issue of A\$302.5 million and the partial drawdown of the £350 million syndicated bank facility offset against dividend payments of A\$188.3 million.

Investments

	Region	Lend Lease Share of Income ^{1,2} June 2009 A\$m	Lend Lease Share of Income ^{1,2} June 2008 A\$m	Market Value ³ June 2009 A\$m	Market Value ³ June 2008 A\$m
Retail					
Bluewater	UK	53.7	58.5	814.3	1,188.8
King of Prussia	US	33.9	25.7	427.0	421.7
Other retail investments	Various	5.9	11.5	222.8	406.0
Total		93.5	95.7	1,464.1	2,016.5
Investment Management					
Other retail investments	Various	24.3	70.0	432.7	505.5
Other investments	Various	2.0	22.7	72.9	98.3
Total		26.3	92.7	505.6	603.8
Total investments		119.8	188.4	1,969.7	2,620.3

1 Represents Lend Lease's share of income before tax from investments net of direct expenses and allocated overhead, excluding property investment revaluations.

2 There are no gains or losses on the disposal or redemption of available for sale financial assets included in Lend Lease's share of income for the year ended 30 June 2009 (June 2008: A\$67.0 million).

3 Market value is based on independent valuations and is net of project-specific debt.

Lend Lease held property investments, directly or indirectly, with a market value of A\$2.0 billion at 30 June 2009. The market value of investments declined by A\$650.6 million due to a weakening of capitalisation rates in all regions. This decline is net of positive foreign exchange movements of A\$90.8 million.

During the year, the Group's interest in property investments generated investment income EBITDA of A\$119.8 million (June 2008: A\$121.4 million), excluding gains on the disposal or redemption of available for sale financial assets.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Investments continued

Retail

The independent market value of 100% of Bluewater at 30 June 2009 decreased by 30% to £1,330.0 million (A\$2,714.3 million). The value of Lend Lease's 30% direct interest decreased by A\$374.5 million to A\$814.3 million, net of foreign exchange movements. As Bluewater is held as inventory, the asset is recorded at cost in the financial statements, which at 30 June 2009 was A\$506.2 million (June 2008: A\$520.7 million).

The value of Lend Lease's 50% interest in King of Prussia decreased by 14% to US\$345.9 million (June 2008: US\$400.6 million), although the Australian dollar equivalent value increased due to a positive foreign exchange movement.

Other retail investments have decreased by A\$183.2 million principally due to a decline in the market value of investments as a result of an expansion in capitalisation rates.

Investment Management

Other retail investments decreased by A\$72.8 million to A\$432.7 million principally due to a decrease in the market value of the Group's UK investment in Lend Lease Overgate Partnership and Lend Lease Retail Partnership.

Other investments decreased by A\$25.4 million principally due to a decrease in the market value of the Group's UK investments.

Property Investment Revaluations

		Unrealised Revaluation Gain/(Loss) Before Tax June 2009 A\$m	Unrealised Revaluation Gain/(Loss) Before Tax June 2008 A\$m	Unrealised Revaluation Gain/(Loss) After Tax June 2009 A\$m	Unrealised Revaluation Gain/(Loss) After Tax June 2008 A\$m
Retail					
Pakenham Place	Australia	(3.6)	(2.9)	(3.6)	(2.8)
Chelmsford Meadows Shopping Centre	UK	(58.6)	(34.7)	(43.9)	(25.8)
Performance Retail Limited Partnership	UK	(28.2)	(9.5)	(26.4)	(7.8)
Warrington Retail Limited Partnership	UK	(88.5)	(31.1)	(88.5)	(31.1)
King of Prussia	US	(84.5)	(6.9)	(49.4)	(4.0)
Total		(263.4)	(85.1)	(211.8)	(71.5)
Investment Management					
Asia Pacific Investment Company No. 2 Limited	Asia	(11.6)	22.7	(8.1)	15.9
Lend Lease Overgate Partnership	UK	(50.7)	(6.8)	(43.1)	(4.6)
Total		(62.3)	15.9	(51.2)	11.3
Total property investment revaluations¹		(325.7)	(69.2)	(263.0)	(60.2)

¹ Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements and are therefore included in statutory profit/(loss).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Retail

Overview of Business

Lend Lease focuses on shopping centres with expansion potential in growing catchment areas. This business strategy is designed to secure integrated positions, which play to the Group's core skills and involve all components of the property value chain (ownership, development, construction and property management).

Key Financial Results

The key financial results for the Retail business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Property Management						
Asia Pacific	39.9	34.2	11.6	2.0	8.2	1.3
Europe	17.2	22.2	(19.1)	(18.3)	(16.6)	(15.5)
Total	57.1	56.4	(7.5)	(16.3)	(8.4)	(14.2)
Investment Income						
Asia Pacific	1.3	1.1	0.9	0.6	0.7	0.4
Europe	67.4	73.2	58.7	69.4	40.6	57.8
Americas			33.9	25.7	27.4	22.1
Total	68.7	74.3	93.5	95.7	68.7	80.3
Total Operating						
Asia Pacific	41.2	35.3	12.5	2.6	8.9	1.7
Europe	84.6	95.4	39.6	51.1	24.0	42.3
Americas			33.9	25.7	27.4	22.1
Total operating	125.8	130.7	86.0	79.4	60.3	66.1

Total operating profit after tax decreased by A\$5.8 million from the prior year, principally due to difficult trading conditions in the UK. The adjustments made to the carrying value of assets are excluded from operating profit but are included in the Group's statutory loss after tax.

Retail – Asia Pacific

Operating profit after tax increased by A\$7.2 million to A\$8.9 million due to increased fees from assets under management and reduced overheads.

In Asia Pacific, Lend Lease holds a direct ownership interest in two development opportunities and two operating retail centres. The business is currently undertaking master-planning and development management of six centres in Australia and one in Singapore with an estimated gross development cost of A\$2.8 billion. In addition, the business carries out the property management of nine centres in Australia and two in Asia, with a total gross lettable area of 602,700 square metres (sqm).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Retail continued

Retail – Asia Pacific continued

Key trading events in the year include:

- Construction and pre-leasing progressing at the 313@Somerset retail development. The development is expected to commence trading in late 2009. Lend Lease has a 25% direct ownership interest in the development, with the remaining 75% held by Lend Lease Asian Retail Investment Fund (ARIF), in which Lend Lease holds a 10.1% interest;
- Construction and pre-leasing progressing at the 420 George Street retail and commercial development in the Sydney central business district. APPF Retail holds a 25% interest in the retail development and APPF Commercial holds a 25% interest in the office development, alongside an external owner who holds the remaining 75%. Completion of this development is expected in 2011;
- Completion of the redevelopment of PoMo (formerly Paradiz Centre), a retail and commercial building in Singapore. Lend Lease has a 25% direct ownership interest in the asset;
- Construction and pre-leasing commencing on the Caroline Springs retail development in western Melbourne. The Lend Lease Core Plus Fund (LLCPF) holds a 50% interest in the retail development and APPF Retail holds the remaining 50% interest. Completion of this development is expected in late 2009;
- Lend Lease manages all phases of these development projects including development, leasing, project management, design and construction and, on completion, asset and property management.

Retail – Europe

Operating profit after tax of A\$24.0 million declined by A\$18.3 million compared with the prior year, as a result of difficult trading conditions in the UK that resulted in a decrease in retail income and increased maintenance costs.

In Europe, Lend Lease's Retail business includes an ownership interest in five retail centres in the UK. The business has development opportunities at three of these centres with an estimated gross development cost of A\$1.9 billion. Given current economic conditions, a review of the development pipeline had been conducted and, where appropriate, capital expenditure has been curtailed or deferred. The business also carries out the asset management of five centres with a total gross lettable area of 336,700 sqm.

Key trading events in the year include:

- The Preston Tithebarn Development, a 50% joint venture with Grosvenor Estates, secured a resolution to grant planning permission on 14 July 2009. The decision will be referred to Central Government to consider whether to call-in the application for public inquiry. A decision on a call-in is expected in 2009. In addition to securing John Lewis as a key scheme anchor, agreements to lease were signed with Marks & Spencer and cinema operator, Cineworld. Given current market conditions, expenditure has been significantly curtailed;
- As already noted, there was a significant decline in the carrying value of the Group's investments in retail assets due to higher capitalisation rates across the portfolio.

Retail – Americas

In the Americas, Lend Lease's retail business comprises a 50% ownership interest in the partnership that owns the King of Prussia Mall in Pennsylvania. Lend Lease's share of operating income in US dollar terms is in line with the prior year.

The value of Lend Lease's 50% interest in King of Prussia decreased by 14% to US\$345.9 million (June 2008: US\$400.6 million), principally due to an increase in capitalisation rates, although the Australian dollar equivalent value increased due to a positive foreign exchange movement.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Communities

Overview of Business

The Communities business is involved in the development of large scale master-planned urban communities, inner city apartments and senior living. The Lend Lease business model includes land sourcing, master-planning and design, product development and marketing. The scale and scope of the Communities development positions ensure earnings are derived from a diverse range of projects. This diversity reduces the portfolio risk and also generates product for both the Investment Management and Project Management and Construction businesses.

Key Financial Results

The key financial results for the Communities business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Asia Pacific	463.0	579.0	90.4	104.2	99.9	82.7
Europe	123.4	390.1	(18.8)	25.5	(10.4)	21.1
Americas		0.4	(1.6)	(5.7)	(1.2)	(3.5)
Total operating	586.4	969.5	70.0	124.0	88.3	100.3

Total operating profit after tax decreased by A\$12.0 million due to a significant decline in residential sales and settlement volumes as a result of weak trading conditions in both the UK and Australia compared to the prior year. The Asia Pacific Communities business includes the profit from the sale of its interest in seven retirement villages and an aged care facility to LLP for a consideration of A\$133.4 million.

As a result of the adverse trading conditions across the Australian and UK markets, the Communities business has reduced the carrying value of its inventory and other assets and has written off the goodwill in relation to the Crosby and Australian Communities businesses. These adjustments are excluded from operating profit after tax but are included in the Group's statutory loss after tax.

The Communities business has a residential backlog of 102,040 units and a total commercial backlog of 4.7 million sqm.

Communities – Asia Pacific

The key financial results for Communities – Asia Pacific are detailed below.

	June 2009	June 2008
Operating profit after tax (A\$m)	99.9	82.7
Number of units settled ¹	2,815	3,439
Gross sales value of units settled (A\$m) ^{1,2}	999.6	949.7
Gross sales value of pre-sales (A\$m) ^{1,3}	339.3	589.4
Number of projects ⁴	39	47
Backlog (number of units) ^{5,6}		
– Zoned (with planning approval)	26,790	27,090
– Unzoned (awaiting planning approvals)	58,005	58,240
Backlog – Residential (units)	84,795	85,330
Backlog – Commercial (sqm/000s)	3,478.7	3,228.8

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects and the sale of deferred management fees.

3 Pre-sales represent contracts entered into prior to 30 June 2009 that have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future years.

4 The number of projects excludes 61 retirement villages and 33 aged care facilities held by LLP.

5 Backlog includes the total number of units in both company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

6 This excludes the backlog for LLP retirement villages and aged care facilities.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Communities continued

Communities – Asia Pacific continued

The Communities business in Asia Pacific is focused on building a portfolio of market leading projects and assets in key sectors, including master-planned urban communities through Delfin Lend Lease; apartments through Vivas Lend Lease; integrated mixed-use property developments through Lend Lease Development; and senior living through co-investment and management of LLP and direct ownership through Retirement by Design. The product lines of the Communities business are: residential land lots; residential built-form (including houses, terraces and apartments); commercial (including retail, office, light industrial and social infrastructure); and senior living (including retirement villages, aged care and village operations).

The key financial results of the business by product line are detailed below.

	Residential Land Lots		Residential Built-Form		Commercial ⁵		Senior Living		Total	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
Settlements¹										
Number of units ²	2,419	3,104	352	283			44	52	2,815	3,439
Gross sales value (A\$m) ³	415.4	505.0	338.0	207.0	233.1	220.3	13.1	17.4	999.6	949.7
Pre-sales^{1,4}										
Number of units	860	1,217	212	362				6	1,072	1,585
Gross sales value (A\$m)	163.4	220.8	164.7	348.9	11.2	17.7		2.0	339.3	589.4

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 The number of units settled during the year for Senior Living refers to primary sales (new development sites) and excludes any resales.

3 Gross sales value of units settled reflects revenue from projects and the sale of deferred management fees.

4 Pre-sales number of units represents contracts entered into prior to 30 June 2009 that have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future years. The table excludes pre-sales relating to LLP.

5 The number of units settled and pre-sales number of units are not relevant measures for commercial.

Key trading events in the year include:

- Completing the acquisition of a 43.2% stake in LLP, the associated management rights and related convertible notes. As part of the transaction, the Group sold its interest in seven mature retirement villages and an aged care facility for a consideration of A\$133.4 million;
- The total number of residential land lots settled decreased by 22% to 2,419 units as weaker trading conditions have been experienced, particularly in New South Wales, resulting in reduced revenues;
- The average sales price per residential land lot increased by 6% from A\$162,700 to A\$171,700, which reflects strong price growth in Victoria and the Forde project in the ACT;
- Residential built-form units settled increased by 69 units to 352 units. The current year includes built-form settlements on the Mosaic building at Victoria Harbour, Melbourne; Varsity Lakes, Queensland; Rouse Hill, Sydney; the evolve and Stonecutters buildings at Jacksons Landing, Sydney and the final settlements at Newington in Sydney;
- The average sales price per residential built-form unit increased by 31% from A\$731,000 to A\$960,000, which reflects the significant proportion of high value evolve and Stonecutters apartments at Jacksons Landing being sold in the year;
- The gross sales value of commercial projects of A\$233.1 million was marginally above prior year and included the sale by the Group of seven retirement villages and an aged care facility to LLP for \$133.4 million;
- The number of units pre-sold at 30 June 2009 of 1,072 decreased by 32% on the prior year due to weaker trading conditions;
- The acquisition of the Springbank Rise (formerly Casey 2) project in Canberra in partnership with Macquarie Real Estate Equity Fund No. 6, which added 1,100 zoned lots to backlog and will commence trading in 2010;
- Securing Blake's Crossing, an 88 hectare site in South Australia, which added 1,390 residential lots to zoned backlog and achieved its first settlements in June 2009;
- Commencing development of the Darling Walk site, a 64,000 sqm commercial project at Darling Harbour, Sydney, under leasehold from the Sydney Harbour Foreshore Authority, with APPF Commercial and an institutional investor as the 50/50 joint owners of the 99-year lease. Lend Lease provides development, design and construction services;
- Selected as preferred partner for the major regeneration of the RNA Showgrounds precinct in Brisbane. The project will be staged over 15 years with a projected value of A\$2.5 billion.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Communities continued

Communities – Europe

In Europe, the Communities business comprises Crosby, an urban regeneration specialist operating in major northern England cities such as Manchester, Leeds and Birmingham, and large scale redevelopment projects at Greenwich, Stratford and Elephant and Castle. This business also holds a 45% interest in First Base, a company specialising in affordable housing and community projects in London.

The key financial results for Communities – Europe are detailed below.

	June 2009	June 2008
Operating (loss)/profit after tax (A\$m)	(10.4)	21.1
Number of units settled ¹	451	976
Gross sales value of units settled (A\$m) ^{1,2}	111.9	380.2
Number of units pre-sold ¹	286	285
Gross sales value of pre-sales (A\$m) ^{1,3}	28.5	41.6
Number of projects	27	27
Backlog (number of units) ⁴		
– Zoned (with planning approval)	13,115	13,520
– Unzoned (awaiting planning approvals)	275	950
Backlog – Residential (units)	13,390	14,470
Backlog – Commercial (sqm/000s)	410.1	422.6

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with Lend Lease's profit after tax.

2 Gross sales value of units settled reflects residential and non-residential revenue from projects.

3 Pre-sales represent contracts entered into prior to 30 June 2009 that have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future years.

4 Backlog includes the total number of units in both company-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

Communities – Europe has 27 projects: the three London-based redevelopment projects at Greenwich, Stratford and Elephant and Castle and 24 Crosby projects. The Crosby projects are predominantly mid to high rise apartment developments on brownfield urban regeneration sites. The product lines of the UK business are: residential land lots; residential built-form (including houses, terraces and apartments); and commercial (including retail, office, light industrial and social infrastructure).

Key trading events in the year include:

- Operating profit after tax has decreased by A\$31.5 million to a loss after tax of A\$10.4 million;
- The gross sales value of units settled decreased by A\$268.3 million and the number of units settled decreased by 525 over the year. Gross sales value of pre-sales declined to A\$28.5 million reflecting the slowdown in the UK market. There were no sales of commercial units in the year;
- The Greenwich Peninsula project is a mixed-use development on 59 hectares of land on the Greenwich Peninsula in London. The project will be developed through a combination of land sales to third party developers and direct development with joint venture partners. An office development with a substantial pre-let to Transport for London for 19,400 sqm was completed in July 2009. The Ravensbourne College of Design & Communications is also now under construction;
- In August 2008, Lend Lease was appointed as Development and Construction Manager for the first phase of Stratford City, a mixed-use development on 54 hectares of land with an existing planning consent of 9.4 million square feet. This first phase involves building the Athletes' Village for the London 2012 Olympic and Paralympic Games for the Olympic Delivery Authority (ODA). Over the past two years, Lend Lease has been in negotiations with the ODA and London and Continental Railways on the terms of the development and financing of the whole of Stratford City. These negotiations ended in May 2009 when the ODA decided to fund the project itself, having assessed Lend Lease's financial offer. Lend Lease continues to act as Development and Construction Manager;
- In July 2007, Lend Lease was appointed as preferred bidder for the development of land at Elephant and Castle. Lend Lease is in negotiations with the London Borough of Southwark to agree a Regeneration Agreement for the building of a mixed-use development of 2,700 homes and retail and office space. In May 2008, Lend Lease entered into an exclusivity agreement with Southwark Council, the purpose of which was to provide Lend Lease with exclusive partner status while the extent of the decline in the UK market was evaluated. The agreement meant that the Council would not engage with alternative developers on this regeneration project. Continued market uncertainty resulted in the agreement being further extended and the Council's Executive agreed on 21 July 2009 to continue with the exclusivity deal. To date, there has been no significant expenditure on this development;
- As announced at the half year the carrying value of inventory and goodwill relating to Crosby was written down by A\$100.4 million and A\$172.4 million respectively. The write downs are excluded from operating profit but are included in the Group's statutory loss for the year.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Communities continued

Communities – Americas

In the US, the Communities business focuses on large scale urban greenfield development and regeneration opportunities. The business has one project, Horizon Uptown in Denver, Colorado.

The key financial results for Communities – Americas are detailed below.

	June 2009	June 2008
Operating loss after tax (A\$m)	(1.2)	(3.5)
Number of units settled		1
Gross sales value of units settled (A\$m)		0.3
Number of projects	1	2
Backlog (number of units) ¹		
– Zoned (with planning approval)	3,855	3,760
– Unzoned (awaiting planning approvals)		13,365
Backlog – Residential (units)	3,855	17,125
Backlog – Commercial (sqm/000s)	841.3	1,382.7

¹ The actual number of backlog units for any particular project can vary as planning applications are obtained.

Key trading events in the year include:

- Local municipality approvals have been received on the Horizon Uptown project. The project is expected to be launched in 2012, subject to favourable market conditions;
- A final termination notice under the Development Management Services Agreement with the Colorado State Board of Land Commissioners (CSB) for the Lowry Range project was issued on 9 January 2009, as conditions precedent under the Agreement had not been achieved. Lend Lease retains a first right of refusal to participate in the project if certain conditions are met by CSB.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Public Private Partnerships

Overview of Business

The PPP business consists of Actus in the US and the PPP projects in Europe.

Key Financial Results

The key financial results for the PPP business are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax ¹	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Americas	1,378.1	856.2	79.5	79.4	68.2	72.2
Europe	128.9	106.5	(12.8)	(33.4)	6.2	(13.2)
Total operating	1,507.0	962.7	66.7	46.0	74.4	59.0

¹ June 2008 operating loss after tax of A\$13.2 million has been adjusted from an operating profit after tax of A\$0.8 million to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year.

Public Private Partnerships – Americas

The primary focus of Actus is the Military Housing Privatization Initiative (MHPI) for all branches of the USA Military. Under the MHPI, Actus is selected to own, finance, construct and operate projects for a period of 50 years.

The key financial results for PPP – Americas are detailed below.

	June 2009	June 2008
Profit after tax (A\$m)	68.2	72.2
Development gross profit margin (GPM) (A\$m)	24.5	46.7
Construction GPM (A\$m)	62.7	47.1
Asset management GPM (A\$m)	17.2	11.3
Equity returns (A\$m)	3.7	2.4
Number of projects ¹	19	19
Backlog (number of units under management)		
– Operational (secured)	38,500	38,450
– Preferred bidder (awarded)	5,550	6,300
Total backlog	44,050	44,750

¹ Number of projects includes extensions of existing projects and projects where Lend Lease is preferred bidder.

Key trading events in the year include:

- Decreased development fee income as no projects reached financial close in the year ended 30 June 2009. Development fees represent a fee for service and are not at risk from project performance;
- Construction GPM and asset management GPM remain in line with the delivery programme;
- Current market conditions have resulted in a reduction in the proposed scope of the Fort Wainwright and Fort Greely project and the Privatised Army Lodging project for which Actus is preferred bidder.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Public Private Partnerships continued

Public Private Partnerships – Americas continued

New Work Secured and Backlog GPM

	New Work Secured GPM June 2009 ¹ A\$m	New Work Secured GPM June 2008 ¹ A\$m	Backlog GPM June 2009 ^{2,3} A\$m	Backlog GPM June 2008 ^{2,3} A\$m
Projects in operational status (secured)	64.0	165.2	431.0	382.3
Projects in preferred bidder status (awarded) ⁴	(28.5)	(83.4)	52.1	65.2
Total	35.5	81.8	483.1	447.5

- 1 Total New Work Secured is the total project GPM to be earned from projects secured during the year, net of margin movements.
- 2 Backlog GPM disclosed includes ten years' backlog from facilities management even though the contracts run for up to 50 years.
- 3 Although Backlog GPM is realised over several years, the average foreign exchange rate for the current year has been applied to the closing Backlog GPM balance in its entirety as the average rates for later years cannot be predicted. In local currency the Backlog GPM is US\$352.7 million (June 2008: US\$402.8 million).
- 4 Projects in preferred bidder status include the GPM on projects that were awarded preferred bidder status in the year, offset by the GPM transferred from preferred bidder status to operational status following financial close of projects in the year.

Backlog GPM at 30 June 2009 was impacted by a positive movement in foreign exchange of A\$104.2 million.

Backlog GPM Realisation

	Year Ending June 2010 %	Year Ending June 2011 %	Post June 2011 %	Total %
Projects in operational status (secured)	24	15	61	100
Projects in preferred bidder status (awarded)	22	19	59	100
Total	24	15	61	100

Public Private Partnerships – Europe

The PPP business in the UK is focused on four sectors: health, education, waste and accommodation. Under PPP schemes, Lend Lease is selected to own, finance, construct and operate projects for a period of up to 40 years. The PPP result includes asset management GPM, facilities management GPM, returns on equity, loan stock interest and net bid costs. The PPP result does not include construction GPM, which is included in Project Management and Construction.

The key financial results for PPP – Europe are detailed below.

	June 2009	June 2008 ¹
Profit/(loss) after tax (A\$m)	6.2	(13.2)
Operating GPM (A\$m)	14.7	16.4
Equity returns (A\$m) ²	33.8	20.3
New Work Secured ³	2.6	2.4
Number of projects ⁴	19	19
Backlog GPM ^{3,5}	75.5	73.8
Equity		
– Invested (\$Am)	163.3	147.9
– Committed (\$Am)	62.9	59.8

- 1 June 2008 operating loss after tax of A\$13.2 million has been adjusted from an operating profit after tax of A\$0.8 million to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year.
- 2 Including loan stock interest.
- 3 Relates to secured projects.
- 4 Number of projects includes projects where Lend Lease is preferred bidder and combines extensions of existing projects.
- 5 Backlog GPM disclosed includes ten years backlog from facilities management even though PPP contracts run for longer periods of up to 40 years.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Public Private Partnerships continued

Public Private Partnerships – Europe continued

Key trading events in the year include:

- Achieving financial close of Lancashire Schools Phases 2A and 3, which related to the remaining schools of the £1.0 billion Lancashire Building Schools for the Future (BSF) project;
- An increase in the number of operational assets, with the practical completion and operational handover of the three schools (£81.0 million) in Phase 1 of the Lancashire BSF project;
- During the year UK PPP was selected as preferred bidder to deliver the £1.2 billion BSF project for the City of Birmingham, Europe's largest metropolitan council.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Investment Management

Overview of Business

The Investment Management business has A\$9.9 billion (June 2008: A\$9.3 billion) of funds under management (FUM). This business also includes investments held indirectly in property assets with a market value of A\$505.6 million (June 2008: A\$603.8 million).

Key Financial Results

The key financial results for the Investment Management business are summarised below.

	Revenue ¹		EBITDA		Profit/(Loss) After Tax	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Funds Management						
Asia Pacific	48.9	55.4	18.1	15.7	13.3	11.2
Europe	4.6	52.4	(6.2)	41.7	(2.8)	41.9
Americas			(2.9)	1.1	(2.1)	1.0
Total	53.5	107.8	9.0	58.5	8.4	54.1
Investment Income²						
Asia Pacific	11.6	12.1	17.4	66.7	13.8	60.6
Europe	3.2	3.8	8.1	22.5	5.9	20.0
Americas	0.8	3.6	0.8	3.5	0.8	2.6
Total	15.6	19.5	26.3	92.7	20.5	83.2
Total Operating						
Asia Pacific	60.5	67.5	35.5	82.4	27.1	71.8
Europe	7.8	56.2	1.9	64.2	3.1	61.9
Americas	0.8	3.6	(2.1)	4.6	(1.3)	3.6
Total operating	69.1	127.3	35.3	151.2	28.9	137.3

1 Revenue excludes proceeds received from the sale of investments, redemption of available for sale financial assets and Lend Lease's share of profits from associates and joint ventures accounted for using the equity method.

2 Represents Lend Lease's share of income from investments net of direct expenses and allocated overhead, excluding property investment revaluations. There are no gains or losses on the disposal or redemption of available for sale financial assets in the year ended 30 June 2009 (June 2008: EBITDA and profit after tax included a gain of A\$67.0 million and A\$59.4 million respectively).

Unrealised property investment losses in relation to the Group's ownership interests in property investments held indirectly through investments in Lend Lease managed funds are excluded from operating profit but are included in the Group's statutory loss after tax.

Key trading events in the year include:

Asia Pacific

- Profit after tax from Funds Management increased by A\$2.1 million to A\$13.3 million due to strong performance from both the Australian and Singapore platforms in a challenging market environment and reduced overheads;
- Profit after tax from Investment Income decreased by A\$46.8 million to A\$13.8 million as the prior year included the sale of a proportion of the Group's investment in APPF for a profit after tax of A\$40.1 million and a profit contribution from Asia Pacific Investment Company Limited of A\$6.1 million, on the sale of the fund's last remaining asset;
- In Australia, APPF Retail and APPF Industrial were the top two performing funds in the Mercer Unlisted Property Funds Index based on the gross one year return in the 12 month period ended 30 June 2009.

Europe

- Profit after tax from Funds Management decreased by A\$44.7 million to a loss of A\$2.8 million this year as the prior year included the receipt of a tax exempt dividend of A\$47.9 million from the Group's interest in the advisor company to the Global Fund in relation to incentive fees;
- Profit after tax from Investment Income decreased by A\$14.1 million to A\$5.9 million due to the prior year including profit distributions on the Group's investment in the Global Fund of A\$9.2 million after tax and profit on the sale of a proportion of the Group's investment in Cohen & Steers, SICAV of A\$3.6 million after tax.

Americas

- The loss after tax relates to the continued wind-up of the residual US Real Estate Investment business.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Investment Management continued

Funds Under Management

	Asia Pacific A\$b	Europe A\$b	Total June 2009 A\$b	Total June 2008 A\$b
FUM at the beginning of the financial year	7.1	2.2	9.3	8.9
Foreign exchange movement ¹	0.2		0.2	(0.3)
Additions	2.1		2.1	0.7
Reductions	(0.2)		(0.2)	(0.1)
Net revaluations	(0.7)	(0.8)	(1.5)	0.1
FUM at the end of the financial year²	8.5	1.4	9.9	9.3

1 Foreign exchange movement arising from translating opening FUM in local currency between June 2009 and June 2008.

2 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.

FUM increased by A\$0.6 billion to A\$9.9 billion during the year. Asia Pacific FUM increased by A\$1.4 billion primarily due to the acquisition of the LLP management rights, while Europe FUM decreased by A\$0.8 billion due to net revaluation decreases in underlying asset values.

The movements in FUM in the year were:

Asia Pacific

- Foreign exchange movements added A\$0.2 billion due to the restatement of opening FUM relating to Singapore at June 2009 exchange rates;
- The acquisition of the LLP management rights added A\$1.5 billion in Australian and New Zealand based assets to FUM;
- The LLCPF secured acquisition and capital expenditure growth of A\$0.2 billion;
- The APPF series of funds and ARIF completed capital expenditure of A\$0.3 billion and A\$0.1 billion respectively;
- The APPF series of funds disposed of A\$0.2 billion of property assets;
- FUM declined by A\$0.7 billion as a result of net revaluation decreases on underlying asset values due to underlying real estate conditions.

Europe

- FUM declined by A\$0.8 billion as a result of net revaluation decreases on underlying asset values due to economic conditions in the UK.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Project Management and Construction

Key Financial Results

The key financial results for the Project Management and Construction business are summarised below.

	Revenue		Realised GPM		EBITDA		Profit/(Loss) After Tax ¹	
	June	June	June	June	June	June	June	June
	2009	2008	2009	2008	2009	2008	2009	2008
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia Pacific	3,012.2	2,752.5	222.6	193.9	136.5	97.2	94.7	69.0
Americas	6,027.2	6,011.5	213.4	206.1	52.6	70.0	35.2	59.7
Europe	3,382.6	3,662.8	208.9	184.9	62.5	34.5	39.0	21.3
Total operating	12,422.0	12,426.8	644.9	584.9	251.6	201.7	168.9	150.0

¹ June 2008 operating profit after tax of A\$150.0 million has been adjusted from an operating profit after tax of A\$147.2 million to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year.

Project Management and Construction profit after tax was A\$168.9 million, an increase of A\$18.9 million over the prior year. Profit after tax for the year was positively impacted by foreign exchange movements of A\$8.7 million.

Total revenue remained broadly in line with the prior year, including positive foreign exchange movements of A\$1.1 billion.

Key trading events in the year include:

Asia Pacific

- The Asia Pacific profit after tax of A\$94.7 million increased by A\$25.7 million compared with the prior year. Key contributions to GPM in Australia included the ANZ Head Office building in Melbourne, Sydney Water Desalination Pipeline, and Top Ryde shopping centre development in Sydney. In Asia, the telecommunications rollout in Japan, 313@Somerset retail development and REC solar panel plant in Singapore were key contributors during the year.

Americas

- Profit after tax for the Americas business of A\$35.2 million is an A\$24.5 million decrease on the prior year, including a positive foreign exchange movement of A\$6.6 million. Profit after tax was negatively impacted by costs relating to the fire at the former Deutsche Bank project in New York. Key contributions to GPM included the 155 N. Wacker Drive office development in Chicago, the 353 N. Clark office building project in Chicago and the Lenbrook high rise senior living project in Atlanta.

Europe

- The European profit after tax of A\$39.0 million increased by A\$17.7 million compared to the prior year. Performance improved although the business continues to be impacted by the workout of UK projects where loss provisions were taken in prior years. Key contributions to GPM included the Athletes' Village project for the 2012 Olympic Games in London, Peel Media City mixed-use project in Gloucester, Central Saint Giles new office development in London and the BP Global Alliance project across Europe.

Profitability Ratio

The profitability ratio (defined as EBITDA divided by realised GPM) increased from 34% to 39%, principally due to the higher profit contribution in Europe where the ratio increased from 19% to 30% this year and in Asia Pacific where the ratio increased by 11% to 61% (June 2008: 50%). In the Americas the profitability ratio decreased by 9% to 25% (June 2008: 34%) primarily due to costs relating to the fire at the former Deutsche Bank project in New York.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Project Management and Construction continued

New Work Secured and Backlog GPM

	New Work Secured GPM June 2009 A\$m	New Work Secured GPM June 2008 A\$m	Backlog GPM June 2009 ¹ A\$m	Backlog GPM June 2008 ¹ A\$m
Asia Pacific	264.1	350.5	323.5	282.0
Americas	60.0	182.8	138.5	236.7
Europe	167.8	182.2	228.1	269.6
Total	491.9	715.5	690.1	788.3

1 Although Backlog GPM is realised over several years, the average foreign exchange rate for the current year has been applied to the closing Backlog GPM balance in its entirety as the average rates for later years cannot be predicted. In local currency, the Americas Backlog GPM was US\$101.1 million (June 2008: US\$213.0 million) and the European Backlog GPM was £107.2 million (June 2008: £121.3 million).

New Work Secured is the total project GPM to be earned from projects secured during the year, net of margin movements.

Backlog GPM is the expected GPM to be realised in future financial years from contracts committed at the end of the year. Backlog GPM at 30 June 2009 was impacted by a positive foreign exchange movement of A\$54.8 million. The decrease in Backlog GPM and New Work Secured GPM in 2009 is primarily due to the downturn in economic conditions, particularly in the Americas and Europe. The increase in Asia Pacific includes significant government projects secured in Australia, namely, Gold Coast University Hospital, two NSW Schools Building Education Revolution projects, Brisbane Supreme Court, Sydney Water Capital Works program, and a new office build project for the Federal Government.

Backlog GPM Realisation

	Year Ending June 2010 %	Year Ending June 2011 %	Post June 2011 %	Total %
Asia Pacific	49	30	21	100
Americas	74	19	7	100
Europe	61	26	13	100
Total	58	27	15	100

As at 30 June 2009, 58% of Bovis Lend Lease Backlog GPM is projected to be realised in the year to June 2010. The proportion of Bovis Lend Lease secured Backlog GPM to be realised beyond 12 months of 42% is consistent with the prior year (June 2008: 43%).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Corporate

The key financial results for Corporate are summarised below.

	Revenue		EBITDA		Profit/(Loss) After Tax	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Group Services	23.4	7.6	(80.6)	(86.2)	(67.8)	(59.0)
Group Treasury	51.3	53.3	(17.2)	1.0	(41.4)	(14.8)
Group Amortisation					(4.1)	(3.0)
Total operating	74.7	60.9	(97.8)	(85.2)	(113.3)	(76.8)

Group Services

Group Services costs after tax increased by A\$8.8 million primarily due to costs in relation to Lend Lease Ventures, which is focused on the commercialisation of green energy opportunities and associated property related activities, and additional costs in the Group's captive insurance vehicle.

Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange exposures, interest rate risk and debt. The result for the year is detailed in the table below.

	Profit/(Loss) Before Tax		Profit/(Loss) After Tax	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Interest revenue	51.3	53.3	38.5	37.9
Interest expense and borrowing costs	(96.6)	(78.2)	(67.1)	(53.4)
Net hedge (cost)/benefit	(17.2)	1.0	(12.8)	0.7
Total Group Treasury	(62.5)	(23.9)	(41.4)	(14.8)

Interest Revenue and Expenses

- Interest revenue remained relatively flat compared with the previous year. The interest rate on invested cash averaged 3.4% per annum for the year (June 2008: 6.1%);
- Interest expense and borrowing costs before tax increased by A\$18.4 million compared with the previous year. This is mainly due to the Group's £350.0 million syndicated bank facility being fully drawn for part of the year.

Hedging and Foreign Exchange Exposure

- Lend Lease hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- Lend Lease uses natural hedging, where possible, to minimise its exposure to foreign denominated net assets. The remaining net assets are hedged at the discretion of management. The impact of foreign exchange movements on the Group's net assets is accounted for in the Foreign Currency Translation Reserve (FCTR). In the year, the FCTR increased by A\$126.3 million, primarily due to movements in UK, US and Singapore exchange rates;
- The A\$12.8 million after tax net hedge cost primarily relates to the hedging of a proportion of current year US dollar profits.

Group Liquidity

- At 30 June 2009, the Group was in a strong liquidity position with cash and cash equivalents of A\$1,120.8 million and undrawn committed bank facilities of A\$612.0 million. The Group's net debt position as at 30 June 2009 was A\$195.8 million, this includes other non current financial liabilities of A\$191.6 million;
- The average maturity of Lend Lease's drawn debt at 30 June 2009 was eight years, with the earliest maturity date being November 2010;
- At 30 June 2009, the mix of borrowings, including other non current financial liabilities, was 76% at fixed rates and 24% at floating rates.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Appendix 1

Results Detail

	Revenue		EBITDA		Profit/(Loss) Before Tax ¹		Profit/(Loss) After Tax ^{2,3}	
	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m	June 2009 A\$m	June 2008 A\$m
Retail								
Asia Pacific	41.2	35.3	12.5	2.6	12.1	2.5	8.9	1.7
Europe	84.6	95.4	39.6	51.1	38.2	49.7	24.0	42.3
Americas			33.9	25.7	33.9	25.7	27.4	22.1
Total Retail	125.8	130.7	86.0	79.4	84.2	77.9	60.3	66.1
Communities								
Asia Pacific	463.0	579.0	90.4	104.2	100.8	110.5	99.9	82.7
Europe	123.4	390.1	(18.8)	25.5	(13.6)	31.8	(10.4)	21.1
Americas		0.4	(1.6)	(5.7)	(2.0)	(5.9)	(1.2)	(3.5)
Total Communities	586.4	969.5	70.0	124.0	85.2	136.4	88.3	100.3
Public Private Partnerships								
Europe	128.9	106.5	(12.8)	(33.4)	4.7	(21.8)	6.2	(13.2)
Americas	1,378.1	856.2	79.5	79.4	83.0	81.8	68.2	72.2
Total Public Private Partnerships	1,507.0	962.7	66.7	46.0	87.7	60.0	74.4	59.0
Investment Management								
Asia Pacific	60.5	67.5	35.5	82.4	35.2	82.3	27.1	71.8
Europe	7.8	56.2	1.9	64.2	1.9	64.2	3.1	61.9
Americas	0.8	3.6	(2.1)	4.6	(2.1)	4.6	(1.3)	3.6
Total Investment Management	69.1	127.3	35.3	151.2	35.0	151.1	28.9	137.3
Project Management and Construction								
Asia Pacific	3,012.2	2,752.5	136.5	97.2	133.9	95.0	94.7	69.0
Europe	3,382.6	3,662.8	62.5	34.5	57.0	30.5	39.0	21.3
Americas	6,027.2	6,011.5	52.6	70.0	47.2	65.9	35.2	59.7
Total Project Management and Construction	12,422.0	12,426.8	251.6	201.7	238.1	191.4	168.9	150.0
Total operating businesses	14,710.3	14,617.0	509.6	602.3	530.2	616.8	420.8	512.7
Corporate								
Group Services	23.4	7.6	(80.6)	(86.2)	(82.5)	(88.9)	(67.8)	(59.0)
Group Treasury	51.3	53.3	(17.2)	1.0	(62.5)	(23.9)	(41.4)	(14.8)
Group Amortisation					(4.1)	(3.0)	(4.1)	(3.0)
Total corporate	74.7	60.9	(97.8)	(85.2)	(149.1)	(115.8)	(113.3)	(76.8)
Total operating	14,785.0	14,677.9	411.8	517.1	381.1	501.0	307.5	435.9
Inventory carrying value adjustments			(226.1)	(121.5)	(226.1)	(121.5)	(188.3)	(121.5)
Goodwill impairments			(252.9)		(252.9)		(252.9)	
Other carrying value adjustments			(233.0)		(233.0)		(204.7)	
Property investment revaluations ⁴			(325.7)	(69.2)	(325.7)	(69.2)	(263.0)	(60.2)
Savings implementation costs			(120.8)		(120.8)		(83.9)	
Net gain on Bovis UK pension scheme curtailment			44.3		44.3		31.7	
Total statutory	14,785.0	14,677.9	(702.4)	326.4	(733.1)	310.3	(653.6)	254.2

1 Profit/(loss) before tax is before adjusting for the amount attributable to minority interests.

2 June 2008 operating profit after tax has been adjusted to A\$435.9 million (statutory profit has been adjusted to A\$254.2 million) to reflect the impact of adopting AASB Interpretation 12 *Service Concession Arrangements* for the first time this year. The before and after tax effect of the adjustment for the year ended June 2008 is an A\$11.2 million loss.

3 Profit/(loss) after tax is after adjusting for the loss attributable to minority interests of A\$12.3 million (June 2008: A\$6.4 million loss after tax).

4 Represents unrealised revaluations on property investments that are consolidated or accounted for using the equity method in the Consolidated Financial Statements.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Appendix 2

Operating Results Detail in Local Currency¹

	Revenue		EBITDA		Profit/(Loss) Before Tax ²		Profit/(Loss) After Tax ³	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia Pacific								
Retail	41.2	35.3	12.5	2.6	12.1	2.5	8.9	1.7
Communities	463.0	579.0	90.4	104.2	100.8	110.5	99.9	82.7
Investment Management	60.5	67.5	35.5	82.4	35.2	82.3	27.1	71.8
Project Management and Construction	3,012.2	2,752.5	136.5	97.2	133.9	95.0	94.7	69.0
Group Services and Amortisation	23.4	7.6	(80.6)	(86.2)	(86.6)	(91.9)	(71.9)	(62.0)
Group Treasury	45.7	38.5	(12.3)	5.0	32.9	43.1	24.8	31.0
Total Asia Pacific	3,646.0	3,480.4	182.0	205.2	228.3	241.5	183.5	194.2
	Revenue		EBITDA		Profit/(Loss) Before Tax ²		Profit/(Loss) After Tax ³	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	£m	£m	£m	£m	£m	£m	£m	£m
Europe								
Retail	39.8	42.9	18.6	23.0	18.0	22.4	11.3	19.0
Communities	58.0	175.5	(8.8)	11.5	(6.4)	14.3	(4.9)	9.5
Public Private Partnerships	60.6	47.9	(6.0)	(15.0)	2.2	(9.8)	2.9	(6.0)
Investment Management	3.7	25.3	0.9	28.9	0.9	28.9	1.5	27.9
Project Management and Construction	1,589.8	1,648.3	29.4	15.5	26.8	13.7	18.3	9.6
Group Treasury	2.0	4.8	(2.3)	(1.9)	(34.3)	(23.4)	(24.7)	(16.4)
Total Great British Pounds	1,753.9	1,944.7	31.8	62.0	7.2	46.1	4.4	43.6
Total Australian Dollars⁴	3,731.7	4,321.6	67.6	137.9	15.3	102.6	9.3	97.0
	Revenue		EBITDA		Profit/(Loss) Before Tax ²		Profit/(Loss) After Tax ³	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Americas								
Retail			24.7	23.1	24.7	23.1	20.0	19.9
Communities		0.4	(1.2)	(5.1)	(1.5)	(5.3)	(0.9)	(3.2)
Public Private Partnerships	1,006.0	770.6	58.0	71.5	60.6	73.6	49.8	65.0
Investment Management	0.6	3.2	(1.5)	4.1	(1.5)	4.1	(0.9)	3.2
Project Management and Construction	4,399.9	5,410.4	38.4	63.0	34.5	59.3	25.7	53.7
Group Treasury	0.8	3.7			(16.4)	(13.6)	(10.0)	(8.4)
Total US Dollars	5,407.3	6,188.3	118.4	156.6	100.4	141.2	83.7	130.2
Total Australian Dollars⁴	7,407.3	6,875.9	162.2	174.0	137.5	156.9	114.7	144.7

1 Local currency results exclude foreign exchange movements other than Great British Pounds and US Dollars.

2 Profit/(loss) before tax is before adjusting for the amount attributable to minority interests.

3 Profit/(loss) after tax is after adjusting for the loss attributable to minority interests of A\$12.3 million (June 2008: A\$6.4 million loss after tax).

4 The foreign exchange rates applied are A\$1 = £0.47 (June 2008: A\$1 = £0.45) and A\$1 = US\$0.73 (June 2008: A\$1 = US\$0.90).